

SOCIAL PROTECTION AND JOBS

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Informal Sector Pensions International Experiences

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Source: Guven, M. 2019. *Extending Pension Coverage to Informal Sector Workers in Africa*. World Bank

Approaches to Informal Sector Pension Schemes

- **Informal sector is a recognized challenge by both government entities as well as regulators and private sector stakeholders in the pension space**
 - Social Security Institutes and national scheme efforts to reach informal sector pension workers
 - Establish channels and activities to enroll informal sector workers into their scheme
 - Establishing channels to re-introduce ex-formal sector workers
 - Establishing programs for to formalize individuals
 - Regulators and policy makers in different countries
 - Create enabling conditions
 - Understand how to support current efforts started by the private sector
 - Look for long term viability and adequacy of products/services
 - Some have championed informal sector workers efforts

Product innovation and technology is seen as **key enablers across the region where flexible savings is combined with product bundling and use of mobile money platform as well as leverage of Foundational ID**



Kenya



Retirement Benefits Authority
Safeguarding your retirement benefits.

- **Product – MBAO Pension Scheme**

- Private sector run scheme directed to informal sector workers
- Individuals can make contributions from 0.20 USD (minimum)
- Use the National ID Number which is given to all citizens when they turn 18
- Regulator played a key important role initially promoting the scheme in radio, tv and throughout the Jua Kali (informal workers association)
- Assets professionally managed
- Lumpsum withdrawal

- **Innovation**

- Technology: Users make contributions through their mobile money account (MPESA & Airtel Money)
- Product: Partial or short term withdrawal three years after first contribution (originally one year)



Kenya



Retirement Benefits Authority
Safeguarding your retirement benefits.

- **Challenges**

- Outreach, promotion of the scheme is required
- Requires more product configurations and incentives to make the scheme more attractive
- Administration is built on occupational scheme management
 - Does not provide adequate services informal sector workers need, up-to-date balances
 - Lacks transparency
- Some regulatory changes can better support MBO and informal sector pensions schemes to operate in larger scale
- More promotion of the scheme is needed
- Enrollment is still mixed between different sources (paper, electronic) and none of them are reliable enough
- Withdrawal process is very complex



Rwanda



- **Product – Ejo Heza Scheme – Long Term Saving Scheme (LTSS)**
 - Established 2017, with RSSB as the Administrator
 - Enrolment for all Rwandans, and foreigners in Rwanda (+ underage). Contributions are voluntary in a savings account linked to National ID, and depend on their capacity and frequency of earning
 - The amount for the pension will depend personal saving and the investment returns
 - Government co-contribution and life insurance are based on eligibility conditions

categories	Subscribers' Eligibility minimum amount/year	Government co-contribution ceiling (3 years)	Life insurance cash benefit to the family in case of death	Insurance Funeral expense cover
Category 1 & 2	RwF 15,000	RwF 18,000	RwF 1,000,000	RwF 250,000
Category 3	RwF 18,000	RwF 18,000	RwF 1,000,000	RwF 250,000
Category 4	RwF 72,000	-	RwF 1,000,000	RwF 250,000

- Users can access up to 40% of the savings for housing, education or to serve as collateral for loans, and 25% for liquidity



Rwanda



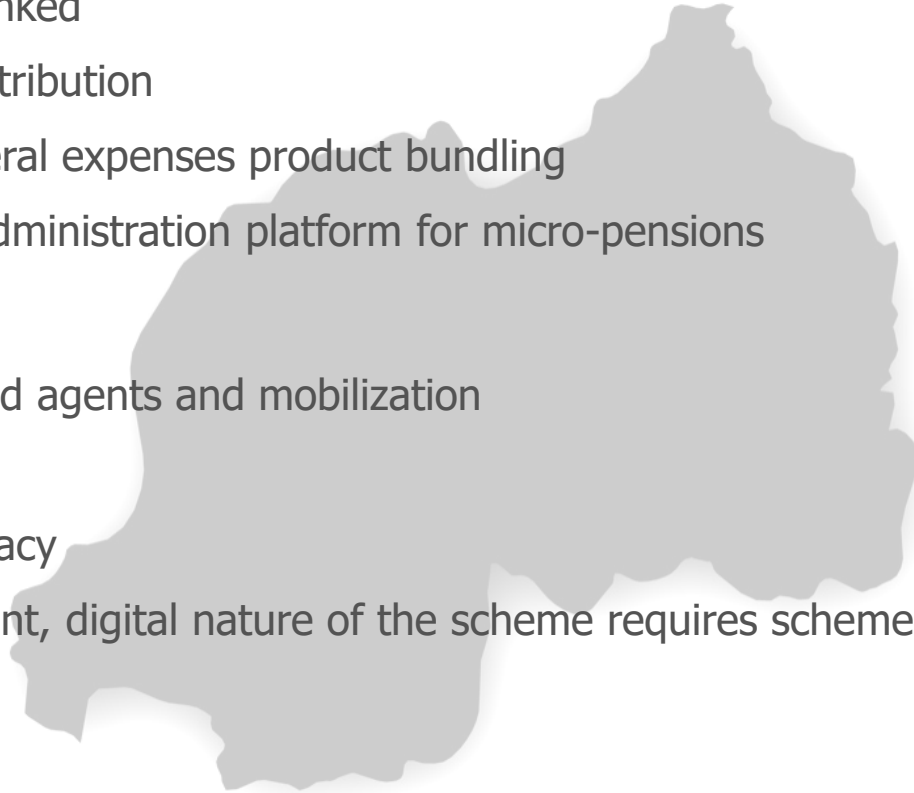
Our Health
Our Future

- **Innovation**

- National ID linked
- Matching contribution
- Life and Funeral expenses product bundling
- Specialized administration platform for micro-pensions

- **Challenges**

- Outreach, field agents and mobilization
- Awareness
- Financial literacy
- Digital footprint, digital nature of the scheme requires scheme to be on at all times





Ghana



- **Product - Tier 3 Voluntary Pension Schemes**

- Regulated under NPRA
- SSNIT (The formal sector pension scheme) + privately run pension schemes, some with specific focus on informal sector
- 50/50 split contribution short/term long term
- Fiscal incentives for individuals making contributions
- Contributions made voluntarily through different means, manual contribution collection and mobile money integration
- Currently with over 300,000 members

- **Innovation**

- Mobile money integration, some even go as far as marketing in MNOs menu
- Flexible contributions and short term access

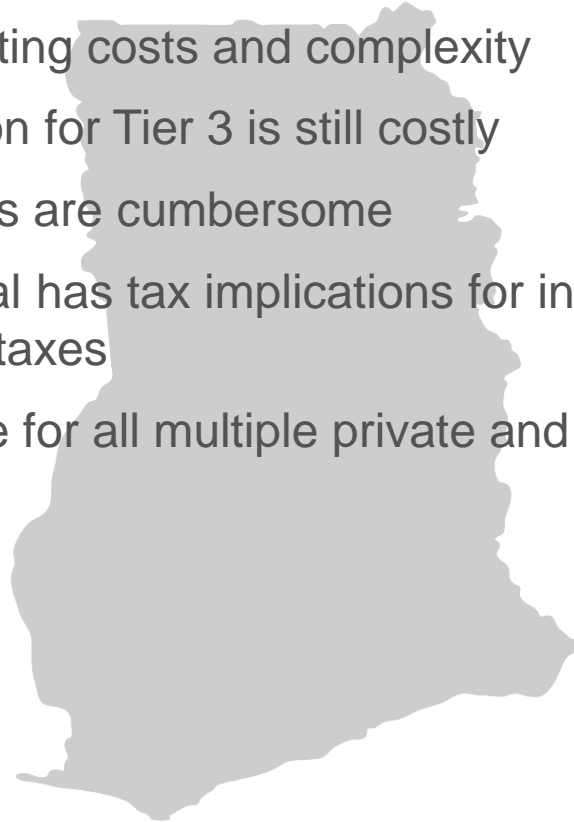


Ghana



- **Challenges**

- Outreach and marketing costs and complexity
- Contribution collection for Tier 3 is still costly
- Enrollment processes are cumbersome
- Short term withdrawal has tax implications for informal sector workers who do not currently pay taxes
- Speed to reach scale for all multiple private and public sector players





Nigeria



• Product – Micro Pension Plan

- Launched March 2019, a micro-pension scheme directed to informal workers
- Eligibility: 18+ years of age, self employed
- Contributions are split 40% short term savings and 60% to long term savings
- Flexibility in contribution amounts and frequency (daily, weekly, monthly)
- Contributions can be made through mobile money, transfer, deposit or any other channel that the system provides, exclusively in Nigerian currency
- The contributions are managed as one same fund, management fees are charged based on income earned
- The micro pensions scheme allows users to migrate to mandatory contribution scheme if they start a job in the formal sector, but not in reverse
- Payment/withdrawals approved by PFA (regulator), as opposed to social security institute
 - 50 years old, or based on health grounds
 - The scheme allows access through programmed Withdrawal, Life Annuity or exit payouts and guarantees a Minimum Pension



Nigeria



- **Innovation**

- Short term/Long term configuration
- Multiple contribution channels, including mobile money
- Funds flow into current mandatory contribution
- Promotion through social media, unions, associations and professional bodies & NGOs

- **Challenges**

- Low financial literacy
- Low awareness about the Micro Pension Plan
- Inadequate technology platform to support MPP and centralize operations





India



- **Product – APY Micro Pension Scheme**

- Guaranteed pension of INR1000 to INR5000 per month (7.5% return guarantee), age at entry capped at 40 years
- Monthly contributions fixed based on age of entry and target DB outcome
- Contributions automatically “auto-debited” from member bank accounts (No mobile money) – monthly, quarterly or twice a year
- Irregular contributions or gaps in persistency leads to frozen accounts and cancellation of the defined benefit
- Underlying National Pension Scheme central recordkeeping
- Change from manual to National ID-linked enrolment process supported voluntary enrolments in the 3 pilot locations at New Delhi, Himachal Pradesh and Andhra Pradesh



India



- **Innovation**

- Enrolment and contribution collection automated reducing costs 97%+ and response times (enrolment process was reduced from 18 days to 3 minutes)
- Biometric authentication with the use of National ID to identify the customer and online services to send digital enrolment forms, along with the picture obtained from NID
- Leveraging National Pension Scheme infrastructure, including CRA

- **Challenges**

- Inadequate commercial incentives for third-party distributors; Especially relative to insurance, and the conceptual and process overheads of NPS and APY
- Inadequate public awareness about the scheme and associated fiscal incentives
- Dedicated “mission office” for implementation management missing
- Challenges with collecting contributions from the unbanked without the risk of fraud and errors
- High probability of mis-selling (loans for contributions)



Benin



- **Product – ARCH program**

- 4 inter-linked component program (health, pensions, micro-finance and training)
- Pension component for the informal sector will be voluntary and managed on a defined contribution basis
- Would incorporate flexibility to make larger or smaller contributions depending on participants stream and regularity of income
- Use of Mobile money is being considered to facilitate payment of contributions
- An innovative design to provide incentives for people to participate and pay contributions, linking to health, and potential other products
- Leverage of associations for outreach
- Built-in trust in the scheme, such that contributors believe they will receive a pension when they reach the eligibility age



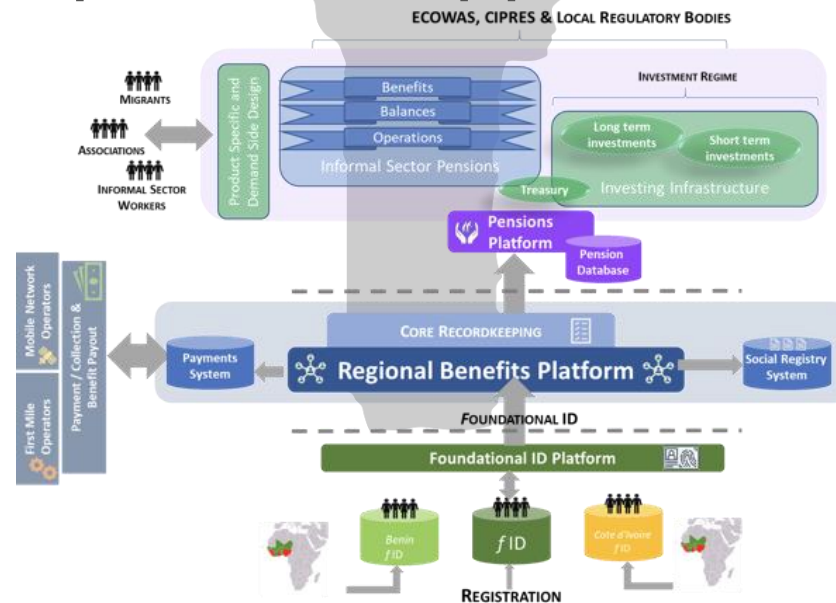
Benin



- **Innovation**

- Specialized IT platform for recordkeeping expected to manage individual's contributions and historic data, up to date balance reporting in real-time, Mobile Money/Wallet Integration and personalized customer service
- Online calculators historic based information with savings and/or pension/benefits projections
- Analytics tools that allow insurance and/or micro-credit institutions to target groups of individuals around specific product configurations

- **Regional benefits platform in the pipeline**





Mexico



- **Product**

- Voluntary savings to top up contributions, minimum of ~\$3USD
- Tax incentives for contributions
- Flexible withdrawals, full amount after 6 months
- No cost to individual, transaction costs covered by the pension fund
- Behavioral experiments run, including new balance statement, SMS and mobile app reminders, punch cards, sales agent promotion

- **Innovation**

- Use of convenience stores (over 15 thousand)
- Use of a central switch to connect convenience stores across the country to all private pension fund administrators
- New mobile app to facilitate auto-debit to bank account and credit card
- Leveraging existing mandatory pension scheme administration and fund management
- Use of appealing general public campaigns



Mexico



- **Challenges**

- Outreach cost structure
- Limited product configuration, regulatorily cannot bundle with other products
- No incentive beyond tax break which only favors higher income bracket
- Still requires user proactive action by individuals the first time
- Short term availability